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Means of implementation for sustainable forest management

Report of the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing

Summary

Pursuant to paragraph 2 of the resolution on means of implementation for sustainable forest management, adopted at the special session of the ninth session of the United Nations Forum on Forests (see E/2009/118-E/CN.18/SS/2009/2, para. 3), the Open-ended Intergovernmental Ad Hoc Expert Group will hold one meeting before the ninth session and another before the tenth session of the United Nations Forum on Forests. The first meeting of the Ad Hoc Expert Group was held from 13 to 17 September 2010 in Nairobi. The present document contains the report of that meeting and will be submitted to the United Nations Forum on Forests at its ninth session for its consideration.

* E/CN.18/2011/1.

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I. Background

1. In paragraph 1 of the resolution adopted at the special session of its ninth session, the United Nations Forum on Forests decided to establish an Open-ended Intergovernmental Ad Hoc Expert Group, with a view to making proposals on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, taking into account, inter alia, the results of the Forum's review of the performance of the facilitative process, views of Member States, and review of sustainable forest management-related financing instruments and processes.

II. Organizational and other matters

A. Venue and duration of the meeting

2. The first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group was held in Nairobi, from 13 to 17 September 2010.

B. Opening of the meeting

3. The meeting was opened by Arvids Ozols (Latvia), Chair of the Bureau for the ninth session of the United Nations Forum on Forests. Mr. Ozols welcomed experts and emphasized the global importance of the issue of forest financing. He added that the Forum, as an intergovernmental policy forum with universal membership, was able to take a comprehensive 360-degree view of sustainable forest management, covering the full range of forest-related issues for all types of forests. The decision of the special session of the ninth session of the Forum on forest financing had been taken at a critical time, when the pivotal role of forests in advancing sustainable development agendas and the global efforts to fight climate change were being recognized more than ever before. The resolution constituted a road map with clear and identifiable actions and measures on the highly controversial but important issue of forest financing. It also carried important political messages for the international community, as it recognized the comprehensive and cross-cutting nature of forests with their numerous and multiple socio-economic and environmental benefits for other aspects of human life and the global environment. In the resolution, the importance of the Forum and the contribution that it could provide to other related processes in diminishing the political differences on sensitive financing issues was recognized. Mr. Ozols said that the Bureau for the ninth session of the Forum welcomed the comprehensive work programme facing the Open-ended Intergovernmental Ad Hoc Expert Group. The Bureau strongly believed that the impacts of the Forum's work on forest financing could also make a positive contribution to other relevant processes. Accordingly, he invited experts to contribute productively to the work of the Group.

C. Election of Co-Chairs

4. Mr. Ozols invited the participants to formally elect the nominated candidates, Jan Heino (Finland) and Ambassador Macharia Kamau (Kenya), as the Co-Chairs of the first meeting of the Ad Hoc Expert Group. The Group elected the nominated Co-Chairs by acclamation.

D. Adoption of the agenda and other organizational matters

5. The agenda (E/CN.18/2010/1) and the programme of work were adopted. It was noted that there would be no negotiated outcome, and that the Co-Chairs would prepare a summary of discussions, which would be annexed to the report of the meeting. That summary is contained in the annex to the present report.

E. Tasks of the Open-ended Intergovernmental Ad Hoc Expert Group

6. The Open-ended Intergovernmental Ad Hoc Expert Group noted that, in paragraph 2 of the resolution adopted at the special session of the ninth session, the United Nations Forum on Forests had decided that the Group would meet before its ninth and tenth sessions, submitting a preliminary report to the Forum during its ninth session and final recommendations to it at its tenth session, for its consideration and decision. The Group also noted that its tasks were set out in paragraph 1 of that resolution. They are also set out in paragraph 1 of the present report.

F. Opening remarks

7. The Co-Chairs thanked Governments for their confidence in them. They welcomed the participants and made brief opening remarks. Thereafter, there was a presentation by John D. Liu. The Chair of the Collaborative Partnership on Forests and the Director of the secretariat of the United Nations Forum on Forests also made opening remarks.

G. Introduction of the note by the secretariat

8. The secretariat introduced its note (E/CN.18/2010/2) on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund. The secretariat pointed out that the note had been prepared to facilitate discussions during the meeting.

H. Other introductory statements

9. The experts from Yemen, on behalf of experts from the Group of 77 and China, from Indonesia, from Belgium, on behalf of experts from the European Union, and from the United States of America, made statements at the opening session.

I. Attendance and participation

10. The Open-ended Intergovernmental Ad Hoc Expert Group comprised some 200 experts, from 68 countries and 23 regional and international organizations and major groups. In addition, experts designated by member organizations of the Collaborative Partnership on Forests,[1] other international and regional organizations, regional processes and major groups were in attendance.

11. A full list of participants can be found on the United Nations Forum on Forests website (www.un.org/esa/forests/adhoc-forestfinance.html).

J. Documentation

12. Documentation prepared for the meeting included the provisional agenda, with annotations (E/CN.18/2010/1) and the note by the secretariat (E/CN.18/2010/2), both of which can also be accessed at the United Nations Forum on Forests website (www.un.org/esa/forests/adhoc-forestfinance.html).

III. Matters for consideration of the United Nations Forum on Forests

13. The Co-Chairs' summary of the discussions that were held at the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing, including the Co-Chairs' proposals for intersessional activities, is annexed to the present report for the consideration of the United Nations Forum on Forests at its ninth session. The present report was adopted by the first meeting of the Ad Hoc Expert Group. The Group also took note of the Co-Chairs' summary and their proposals for intersessional activities, as contained in the annex to the present report.

IV. Closing of the meeting

14. During the closing session, the Co-Chairs thanked all the participants for their active involvement in the discussions during the meeting, and for their suggestions with regard to section VII of the Co-Chairs' summary, namely, on proposals on intersessional activities. The Co-Chairs also expressed satisfaction on the results of the meeting, considered the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group to have been a unique experience, and thanked the Bureau of the ninth session of the United Nations Forum on Forests and the secretariat for

[1] The Collaborative Partnership on Forests is a voluntary arrangement among 14 international organizations and secretariats with substantial programmes on forests, which has the objective of supporting the work of the United Nations Forum on Forests. The members of the Partnership are the Centre for International Forestry Research, the Food and Agriculture Organization of the United Nations, the International Tropical Timber Organization, the International Union of Forest Research Organizations, the secretariat of the Convention on Biological Diversity, the Global Environmental Facility, the United Nations Forum on Forests, the secretariat of the United Nations Framework Convention on Climate Change, the United Nations Development Programme, the United Nations Environment Programme, the World Agroforestry Centre, the World Bank and the International Union for Conservation of Nature and Natural Resources.

planning the first meeting of the Ad Hoc Expert Group in such a dynamic and interactive manner. The Co-Chairs urged continued engagement and cooperation of all countries, organizations and major groups, in particular at the ninth session of the Forum, where a decision should be taken on the intersessional activities, based on the Co-Chairs' proposals. The Co-Chairs then announced the closure of the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing.

Annex

Co-Chairs' summary of the discussions during the first meeting of the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing

I. Opening session

1. In their opening remarks, the Co-Chairs welcomed the experts and highlighted the importance of the meeting in developing a mutual understanding on strategies to mobilize resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests. The Co-Chairs noted that the programme of work for the meeting paved the way for serious, open and focused discussions on the key issues related to forest financing. It provided an opportunity, for the first time, to engage key and influential non-forest sectors, such as planning and finance ministries, in the discussion on forest financing. Different panels and break-out groups were planned to allow experts to share knowledge and concrete examples of forest financing policies, programmes and strategies. The Expert Group would be also informed of the initial input by the Facilitative Process, which had also been established under the resolution. In addition, in preparing for the meeting, the secretariat had commissioned a number of country and regional case studies. There would also be specific keynote speeches on forest financing options.

A. Presentation by special guest, John D. Liu

2. Mr. Liu gave a presentation in which he highlighted the importance of the role of forests as fully functional systems. He emphasized the strong links between degradation of fragile ecosystems at the landscape scale and poverty, food insecurity and biodiversity loss. He attributed this to a failure to assign proper values to the ecosystems that supply products, and the associated creation of perverse incentives to degrade these ecosystems. He gave an example of a major project in the Loess Plateau in China, where an econometric assessment of the full value of a degraded ecosystem had driven action to restore the forest through terracing and planting on a very large scale — an area larger than the country of France.

B. Statement by the Chair of the Collaborative Partnership on Forests

3. Eduardo Rojas-Briales, Chair of the Collaborative Partnership on Forests and the Assistant Director-General of the Food and Agriculture Organization of the United Nations (FAO), gave a pre-recorded statement in which he welcomed the experts and emphasized the support that the members of the Collaborative Partnership on Forests would continue to give to the work of the Open-ended Intergovernmental Ad Hoc Expert Group on Forest Financing. He highlighted the importance of recognizing all values of forests, including in relation to livelihoods, biodiversity, soils, watersheds and climate, as well as their productive functions. In addition, he said that the Group would need to consider financing from all sources, recognizing that there was not one single solution to the challenge of securing adequate financing for sustainable forest management. He also reminded experts that their work would be of relevance to a number of forthcoming international

meetings, including the Committee on Forestry, the Conference of the Parties to the Convention on Biological Diversity, and the Conference of the Parties to the United Nations Framework Convention on Climate Change, as well as for the ninth session of the United Nations Forum on Forests.

C. Statement by the Director of the United Nations Forum on Forests secretariat

4. Jan McAlpine, Director of the United Nations Forum on Forests secretariat, made a statement in which she reminded experts that there had been 17 years of intense debate about forest financing, culminating in the decision at the special session of the ninth session of the Forum. This had established two significant mechanisms — this Group and the Facilitative Process. Noting that funding for forests was low when compared to funds now being committed to the enhanced United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD-plus), the Director emphasized that forests had many functions and values in addition to carbon sequestration. A 360-degree perspective on forest financing was needed to recognize all the values of forests and that, she emphasized, was the scope of the non-legally binding instrument on all types of forests (forest instrument). Cross-sectoral and cross-institutional approaches beyond the forestry sector were required to effectively implement the forest instrument and the global objectives on forests, given that the causes of inadequate financing for sustainable forest management often lay outside of the forest sector. She also pointed out that forest financing could contribute significantly to the national economy and reducing poverty. Ms. McAlpine noted that the Forum was in a position to take action with this 360-degree perspective on forest financing, adding that the secretariat had signed partnership agreements with the secretariats of the Convention on Biological Diversity and the Convention to Combat Desertification, and that further agreements with the Global Environment Facility (GEF) and the International Tropical Timber Organization were being developed. She explained that the work programme for this first meeting of the Group was very much based on the resolution's approach to forest financing. She also reminded experts of the International Year of Forests 2011, which would be a year-long celebration, showcasing "Forests for People" success stories and innovative solutions.

D. General statements

5. A number of experts made introductory statements during the opening session, extending full support for taking on the tasks of the first meeting of the Ad Hoc Expert Group. They commended the secretariat for the preparations for this meeting and emphasized their gratitude for the meeting having been convened at the United Nations Office at Nairobi. Experts welcomed the opportunity to share experiences and ideas to improve the understanding of the challenges of forest-related finance. The importance of examining existing financing mechanisms, as well as other options, was also highlighted. They expressed a need to use this meeting to explore feasible and realistic solutions. Many noted that sufficient and adequate financing of sustainable forest management was essential for the achievement of the four global objectives on forests and the effective implementation of the non-legally binding instrument. Concern was expressed at the alarmingly high rate of deforestation and the lack of adequate resources, particularly in developing countries. Experts also recalled proposals that had been made for the establishment of a global forest fund

aimed at providing new and additional financial resources to developing countries for promoting sustainable forest management. They also expressed appreciation for the cooperation that led to the agreement at the special session on the facilitative process of the ninth session of the United Nations Forum on Forests and this dialogue under the Ad Hoc Expert Group. It was also stressed that forests are essential to many aspects of human life, meeting a wide array of needs, especially for the world's 1.6 billion forest-dependent people. The significant contribution of forests to the Millennium Development Goals was also emphasized.

II. Workshop 1

Topic 1. Financing sustainable forest management: a strategic cross-sectoral requirement for achieving internationally agreed development goals

Summary of presentations

6. Tony Simons of the World Agroforestry Centre emphasized the need for a cross-sectoral perspective in the implementation of sustainable forest management and stressed that international financing in other sectors could have positive and/or negative impacts on forests. There was a need to consider a landscape approach where forestry and agroforestry were developed together; likewise, rural development and forests could only be financed hand in hand. At the country level, forest issues fell under a long list of different ministries. There was often a lack of recognition and coherence in their decisions on policies, programmes and financing.

7. In their joint presentation, Melchiade Bukuru from the secretariat of the United Nations Convention to Combat Desertification and Jones Ruhombe Kamugisha from the Global Mechanism of the United Nations Convention to Combat Desertification emphasized the importance of the recently signed memorandum of understanding between the secretariats of the United Nations Convention to Combat Desertification and the United Nations Forum on Forests that focuses on identifying gaps, obstacles and opportunities in financing sustainable land management and sustainable forest management. There is a need to expand the implementation of sustainable forest management beyond tropical rainforests to include dry forests and trees outside forests. REDD-plus brings new challenges to dry forests, especially as areas of sufficient carbon storage need to be identified to justify capturing REDD funds. Drylands must be taken into account in forest financing debates, especially as they occupy 42 per cent of the global forest area. Forests must be positioned in the overall development planning at the national level and their financing goes beyond forestry/environment ministries and official development assistance.

8. Maria Sanz-Sánchez of the secretariat of the United Nations Framework Convention on Climate Change provided an overview of the REDD process and its current status. Parties to the Convention have recognized the need for scaled-up financing, fast start funding, capacity-building and national strategies and action plans to address the drivers of deforestation. However, financing options remain one of the key issues to be addressed. Recommendations were made, notably on the need to promote and enhance regional cooperation, and to fully utilize technical capacities that already exist. Ms. Sanz-Sánchez said that the role of the secretariat was to enhance coordination of capacity-building and develop an interactive discussion forum as well as to share information on the REDD-plus Web Platform. REDD-plus readiness activities had already been started in many developing countries

through different means, most of them multilateral (REDD-plus Partnership, UN-REDD, the Forest Carbon Partnership Facility, the Forest Investment Programme, the fifth GEF Replenishment (GEF-5) and other international organizations) with funding commitments amounting to about $5.6 billion.

Summary of interactive discussions

9. There was a common view that cross-sectoral issues in forest financing needed to be considered both at the national and international levels, although, as pointed out by a member of the Collaborative Partnership on Forests, one should not lose sight of the forests when attempting to look beyond sectors. A key constraint is the lack of information on the contribution to the gross domestic product (GDP) and poverty reduction of the forest sector to justify its financing in national budgets. In one specific example of this phenomena, it was noted that low forest cover countries generally tend to give low priority to forests and to trees outside forests, due to their marginal role in economic accounts. This is owing to an absence of proper accounting of the benefits generated by forests, as well as a lack of accounting of the costs of forest degradation. An accounting of physical volumes of various forest outputs and their valuation in monetary terms would be required as the first step towards the internalization of forest externalities. It was also noted that many communities critically depend on forests for their livelihoods, which is not necessarily reflected in national level statistics.

10. One suggestion was for a global synthesis of already existing data and studies on forest financing.

11. Addressing cross-sectoral aspects in financing requires information on trade-offs between alternative land uses, but this information is significantly lacking. There is a close cross-sectoral linkage in financing sustainable land management and sustainable forest management. Integrated approaches can therefore be highly useful, for example in low forest cover countries. In both cases, further work is needed to scale up successful experiences.

12. It was also pointed out that safeguards were common in forest and forestry investments but often not required in other sectors, such as mining or agriculture.

13. Participants recognized that the cross-sectoral aspects in forest financing were not adequately understood and that this was an area in which further research was needed. There was also a need to change the mindset of policymakers and the general public, as they did not understand the critical contributions of forests to livelihoods and sustainable development. This is a challenge for communications as well.

14. Participants noted that national macro-level planning also typically included a sectoral approach and in many countries this would be necessary for an acceptable level of financing for forests. A sectoral approach would help to take into account the revenues generated by forest activities and to design appropriate budget allocations. In addition, efforts would be needed to account for the damage by other sectors on forests so that, for example, appropriate compensation mechanisms could be developed.

15. It was recognized that Government expenditures formed only a small part of domestic financing of sustainable forest management, as the bulk comes from the private sector, forest communities and smallholders. Governments did not often

recognize their forest financing as an investment which can bring significant economic, social and environmental benefits.

16. As only part of the forest outputs were fully remunerated by the market, other mechanisms were needed for valuation of other ecosystem services which were not presently captured in economic assessments. This was why the maintenance or enhancement of forest ecosystem services was usually only accounted as a cost. Information on costs of environmental degradation had not often had an adequate impact on decisions on resource allocation which tended to focus on expected short-term benefits.

17. There were about 1 billion hectares of degraded lands which offered opportunities for restoration through afforestation and reforestation. Restoration of those lands would improve soil fertility, biodiversity, biomass and rural income and also contributed to the global welfare. Investments in restoration could therefore be justified and successful experiences could be replicated (e.g., the Loess Plateau in China).

18. One proposal was for a new analytical approach to identify the needs and opportunities for financing for forests based on forest functions and outcomes as they were defined in the Millennium Ecosystem Assessment (supporting, provisioning, regulating and cultural and social functions). This could provide a common framework to take account of various forest products and services instead of the current partial approach.

19. Participants noted that REDD-plus could provide a major new opportunity for financing of sustainable forest management but there were also a number of concerns related to the international rules which might be adopted. For example, a major weakness in the planned REDD arrangements was that it would not provide adequate support to low forest cover countries for instance, in spite of the potential contribution of their forests to both mitigation and adaptation to climate change. There was a need to engage forest specialists, as they had not effectively participated in the preparations and negotiations on REDD.

20. Participants noted that there was a proliferation of initiatives to improve resource mobilization for forests but that they were not coordinated. A common framework could avoid conflicting outcomes and unnecessary transaction costs. A detailed assessment of existing initiatives would help in enhancing their effectiveness to promote financing for sustainable forest management. There was also a need to mainstream the proliferation of discussions on sustainable forest management, both on the international and national level. The common view was expressed that it was the responsibility of countries to ensure coherence of outcomes in different international forums concerning forest financing, but this was far from being achieved at present.

Topic 2. Sustainable forest management financing and the role of finance and planning ministries and organizations; the need for integrated financial policies, the potential of private sector and major groups

Summary of presentations

21. Chen Jiawen, Director of Division for Forestry Planning in the Department of Planning and Finance Management of the Chinese State Forest Administration, explained that forest financing in his country consisted of public sector funding,

private sector financing, foreign direct investment and a special mechanism. Private sector financing came from the banking sector as loans, forest industry enterprises and social voluntary sources. Foreign investment came from international organizations, bilateral sources and foreign direct investment. The special mechanism was a compulsory tree-planting mechanism. He added that elements for global forest financing should recognize the important role of forests in sustainable development. Clear objectives and action plans would be needed for global forest development, which should be the basis for the respective financing programmes. At the country level, an assessment was needed on the status of sustainable forest management and financing needs and the assistance should include financing, technology transfer and knowledge. Both the donors and recipient countries should make firm commitments on their actions. A global level mechanism could include a global forest ecological fund, forest investment and trade facilitation, forest carbon markets, compulsory tree-planting action and forest cross-cultural foundation to increase awareness of the importance of forests. A special institution would be needed to manage different elements of the mechanism, including monitoring and assessment. The United Nations Forum on Forests should set up a special institution to manage and operate the different parts of a forest financing mechanism and report to member countries on its operation.

22. Stefanie von Scheliha, Project Officer on the German Agency for Technical Cooperation (GTZ) team on International Forest Policy (Germany), emphasized that the various international processes and national programmes had two common goals, sustainable management and use of forests and forest protected areas, these could be the basis for aligning various national and international initiatives targeted at addressing deforestation and forest degradation. As many sectors were involved, there was a genuine need for cross-sectoral coordination, and action needs should be jointly identified to ensure their proper implementation by relevant parties. Only thereafter could financing needs be identified and resources mobilized from available sources. Support was often needed from the private sector and from major groups which could provide information and ideas and needed to participate in decision-making. Alignment of different interests and coordination were also needed. Integrated financial planning needed to be transparent and to have a broader than sector view to tap potential funding sources. The greater the number of stakeholders promoting the issue of forest financing, the more powerful the lobbying was likely to be.

23. Tatsuya Watanabe, Deputy Director of the International Forestry Cooperation Office of the Japanese Ministry of Agriculture, Forestry and Fisheries, explained their experiences on resource mobilization for promoting sustainable forest management in his country where forests were divided into small, privately owned properties. The current challenge was to bring those forests under improved management, to improve their environmental services at a time when the economic profitability had been declining due to a strong yen. Resource mobilization through budgetary allocation had relied on broad public concern about the need to improve management of planted forests and make use of forests in carbon sequestration. Public awareness and support were fundamental for resource mobilization, which could be created through transparency and accountability, effective and timely measurement, reporting and verification, and public participation. Good governance was a prerequisite, including an adequate policy framework, and institutional capacity, as well as continuous innovative measures. The Japanese experience on

financial and technical bilateral cooperation in forests accounted for about $250 million per year. There were several constraints, however, as the overall funding available for Japanese official development assistance was declining. REDD offered new opportunities. Pressures on forests from other uses could be addressed through recognition of the need for cross-sectoral approaches. There were increased demands for strategic assistance and positive incentives. Challenges for international cooperation included ensuring ownership of recipient countries, creating the enabling condition for sustainable forest management financing and provision of results-oriented assistance and enhanced accountability at all levels.

24. Ivar Jørgensen, Counsellor for Environment and Climate Change at the Royal Norwegian Embassy in Dar es Salaam, explained that the Norwegian International Forest Climate Initiative consisted of support to several multilateral and bilateral programmes and was currently the largest source of global funding for REDD-plus. As one of the pilot countries, the experience on the REDD programme in the United Republic of Tanzania, which consisted of research and capacity-building, a policy process, measurement, reporting and verification, non-governmental organization-operated field projects, engagement of the private sector and preparations of a REDD fund, was reviewed. He added that REDD was one of the tools for achieving sustainable forest management and that they had common aspects in field activities, governance, monitoring, etc. A broad range of ministries and Government agencies, as well as stakeholders, had to be involved and capacity-building had to address all their needs. REDD revenue had the potential to improve returns on sustainable forest management investment, which would not be implemented otherwise. At present, REDD appeared to offer opportunities for many, but not necessarily all, developing countries. For instance, only 20 African countries stood to benefit significantly from REDD, according to the speaker.

25. Gary Dunning, Executive Director of The Forest Dialogue, briefed the Group on the objectives and activities of the Dialogue and its processes on financing REDD-plus and investing in locally controlled forests. The Forest Dialogue had concluded that REDD financing should depend on a reliable, robust and predictable mechanism that was transparent and above all equitable, which enjoyed the support of key stakeholder groups. Payments should be based on performance and they required optimal and coordinated use of markets, public and private funds, multi/bilateral grants and other sources. The lessons learned suggested that safeguards should address social, environmental and financial aspects at different levels; there should be effective and equitable distribution mechanisms and good governance. He added that investing in locally controlled forests offered huge opportunities in small-scale and community-based forestry projects that achieved a decent return on investment while advancing environmental development goals. About 1 billion people owned or managed a quarter of the world's forests, which generated a broad range of economic, environmental, social, cultural and spiritual benefits. To make use of this opportunity, local rights to forests should be secure; "soft" and "hard" investment was needed, and support would be needed in the form of business services, capacity-building, partnerships and alliances. There were, however, a range of obstacles to be addressed through a partnership approach, support of Governments and other "soft" investors, various innovative mechanisms and networking.

26. Ibrahim Thiaw, Director of the Division of Environmental Policy Implementation of the United Nations Environment Programme (UNEP) emphasized

that evidence-based policy advocacy could shift policy and investments in forests and that it was critically important to identify the areas where the evidence was likely to be found and deliver change. Practical experience in the protection of the Mau forest in Kenya had demonstrated that, in complex situations, the engagement of the highest political level of a country could be mobilized for effective results in the field. The outcome of the Mau forest initiative had been the effective protection as Nairobi's water source, for instance. The ongoing work on the Economics of Environmental Services and Biodiversity Study had shown that restoration of degraded lands, conservation of biodiversity in protected areas, for example, could generate very high returns. The lessons had shown that valuation of environmental services had to be explicit and spoke to decision makers directly and in concrete terms, especially as markets generally undervalued them. Biodiversity was important for all, but essential for the rural poor who depended on it. Initial experience in REDD implementation was accumulating, indicating that it was a unique opportunity to transform the forest sector and landscapes. It would be important to include dry and sub-humid forests in such schemes to ensure that their role in mitigation and adaptation in climate change was enhanced. It was important that REDD also deliver benefits from all forest environmental services, leveraging opportunities for additional financing to secure those multiple benefits.

Summary of interactive discussions

27. The presentations under this topic included those by China, Germany and Japan and represented two distinct, but equally effective, models for addressing the issue of forest financing — one in a centralized system, and the other in a decentralized system with multiple stakeholders. Presentations by The Forest Dialogue, Norway and UNEP represented three examples of REDD-plus-related forest financing initiatives at the local, national and international levels, respectively.

28. Countries shared a common situation in seeking adequate budgetary allocations for financing sustainable forest management. Several reasons explained that situation, including the limited recognition of GDP contributions of the forestry sector, lack of information on the link between forests and national development goals, the low priority of forests and forestry (often being only a subset of agriculture, environment or natural resources), lack of recognition of the link between revenues and costs of forestry activities in accounting, etc. Among other omissions, current GDP estimates often disregarded the downstream industrial processing of wood and activities of the informal sector.

29. Planning and financing ministries had to deal with competing requirements and it had proven difficult to attract the right level of attention and priority to financing for forests. National forest programmes and other sectoral plans had not been closely linked with national development planning, which was another constraint in some countries.

30. The traditional national development planning approach emphasized economic development and this was a constraint for the forestry sector, due to a lack of national accounting of many forest benefits and the importance of the informal sector on which data was lacking. The ongoing shift towards adopting sustainable development as the overall framework for national development planning opened up new entry points for budgetary allocations for forests. This meant that several sectoral windows could be accessed, but in order to make them work, it was

necessary for related sectoral ministries to share a common goal which was built on the recognition of the multiple benefits of forests, including economic, ecological, social and cultural values. This called for a truly cross-sectoral approach in mobilizing domestic public financing for sustainable forest management at different levels of government. There was a great potential to make more efficient use of the available financial resources if synergies between forests, land restoration, biodiversity and climate change could be harnessed at the national level instead of working in silos, without the necessary integration of financing programmes.

31. Successful national experiences also showed that political awareness of forests in sustainable development at the highest political levels could ensure that budget allocations for forests were not constrained by competing demands from other sectors. In addition, mobilization of stakeholder support could be very helpful in raising awareness among policymakers on the importance of forest financing. Supporters were needed to lobby decision makers for forest financing. Forest issues had a great potential for bringing different actors together to promote their common interests.

32. Countries had different situations in their administrative and institutional arrangements regarding forests, but experience showed that cooperation between the involved agencies was necessary. Each country needed to seek its own ways to establish effective coordination and cooperation arrangements within the framework of the common goal of sustainable forest management. The importance of good quality planning was also considered an important factor in getting forestry plans well integrated into national development plans.

33. There was a common view that accountability in the use of funds and achieving the adopted goals and targets was necessary. The forest sector had not always been successful in that respect, as achievements were not easy to measure. Country experience showed that improvement in that respect was critical. Monitoring and assessment of performance were important, but new indicators might be needed to measure improvements in forest environmental services.

34. Several instruments could be used for mobilizing funds for forests. Many countries applied subsidies. Some countries used earmarked taxes but in the majority of cases, earmarking was not possible but could offer an opportunity if applied. There were different experiences in using national forest funds in raising and disbursing financing to beneficiaries. Such funds could be very useful in assisting private forest owners or communities but there had also been difficulties in accessing them if the funds were managed under finance ministries. Another approach that resulted in a positive experience was retaining part of the timber sales revenue which could later be used on preferential terms for reforestation and other sustainable forest management activities. It was possible to group small-scale private forest ownership when making investments in infrastructure.

35. In financial planning at the national level, the role of all sources needed to be considered, including the private sector, foreign direct investors, and voluntary funding from the civil society through various mechanisms. Each had its own role in financing different aspects of sustainable forest management.

36. REDD-plus offered a major opportunity for raising financing for other aspects of sustainable forest management. However, REDD was not a major short-term opportunity for all. Resources could not be shared among participating countries

(now about 40 in process) without reducing significant impacts on the ground. Therefore, priority-setting and engagement of the private sector as a major potential source of funding was necessary.

37. Countries with high forest cover and low deforestation rates were concerned that their efforts to maintain the carbon stock in the existing forests might not qualify for future REDD financing. It was noted that forest conversion was sometimes necessary or preferable to achieve national development goals — forests should not be seen as a barrier for economic development.

38. Another concern was the issue of indigenous peoples, as there was a risk that their land rights would be negatively impacted by REDD. There was a need for clear policies for benefit-sharing, including for indigenous peoples, local communities and other forest-dependent people. The private sector could play a pivotal role in involving surrounding communities in REDD schemes, as they had the capacity to organize monitoring and verification, as well as capacity-building.

39. Participants recognized that work under REDD readiness development was very useful, also in view of developing payment mechanisms for forest environmental services other than carbon, as the same issues of legal and institutional framework, tenure rights, capacity-building, benefit-sharing, etc., were largely common to all mechanisms. At the same time, willingness to pay for environmental services could be promoted, which might lead to a new paradigm in financing sustainable forest management.

40. Governance was recognized as a common issue both for sustainable forest management and REDD. "Free Prior and Informed Consent" had been adopted by UN-REDD as a safeguard to ensure that land rights of indigenous peoples and local communities were not adversely impacted by REDD. The ongoing work under The Forest Dialogue had proved to be useful in applying free, prior and informed consent in helping communities and companies to work together. There was some hesitation among some countries in embarking on REDD work because many earlier similar planning initiatives had not yielded concrete results. For instance, the view was expressed that the cost of certification had proved to be an additional burden for producers in the Congo Basin, as it had not resulted in higher product prices in export markets.

41. Evidence-based information on forest environmental services could be a powerful tool for influencing policy decisions, but a lack of common methods to evaluate biodiversity and other environmental benefits often made it impossible to take these into account in financing decisions. In addition, national-level resource assessments would be needed to quantify the different aspects of forest benefits.

42. The discussion included comments on such issues as the need for countries to assume a greater responsibility themselves for financing of sustainable forest management. Other sources could only be complementary but not the main solution to the problem of funding and there was clear evidence that official development assistance alone could not develop a country. Each country should plan its development based on its own resources. It was also observed that many of the resource-rich countries were among the poorest, which was a paradox. Another dilemma was that revenue collection in the forestry sector was notoriously low (e.g., 4 per cent in the United Republic of Tanzania), and with improvement of governance, the revenue generation for that could be significantly increased.

III. Workshop 2

Topic 1. Specific national and regional experiences/strategies on mobilizing financing for sustainable forest management

Summary of presentations

43. Penny Davies, Senior Forestry Adviser, Policy Department, in the United Kingdom Department for International Development, gave an overview of the income and expenditures of domestic forest financing, as well as examples of the international experience in financing for forests and building strategic partnerships. At the domestic level, Government finance grants, timber receipts and other non-timber products and services, such as recreation, were the main sources of finance. National expenditures described included public forest estates — which rated the highest, followed by private forestry, forest research and policy, regulation and administration. Ms. Davies highlighted a wide range of opportunities and partners. Opportunities had increased in recent years with new sources of funding, including the private sector. The Red Rose Forest and the Big Tree Country were highlighted as examples of public-private partnerships. The first was significant in catalysing partnerships with cities, communities and businesses, while the second exemplified active woodlands and partnerships with schools and forestry agencies. She emphasized that the United Kingdom attached importance to financing international forestry, and added that there was concern about illegal laundering of income from forests that had helped to finance conflict. She explained that support was targeted where there was credible governance, tenure and market reforms; European Union Forest Law Enforcement and Governance partnerships; well-linked policy and practice; business that favoured sustainably sourced commodities and reduced deforestation; verifiable results and progress; and sustained momentum for change. Support was also given for communication and advocacy. Support was multilateral, bilateral and plurilateral. There were partnerships with multilateral organizations, as well as community groups and enterprises. In 2008/09, the forestry aid budget of £22 million represented 0.3 per cent of the United Kingdom's aid budget, but, with REDD fast-start finance, that was set to rise to an estimated £100 million annually by 2011-2012 and 2013-2014, based on progress and performance.

44. Samuella Lagataki, Deputy Conservator of Forests, Forestry Department of Suva, Fiji Islands, said that Fiji was one of the small island developing States examined in the United Nations Forum on Forests facilitative process project on financing gaps and challenges in sustainable forest management for small island developing States and low forest cover countries. He explained the methodology and approach for data collection, and the key policies, institutions and intersectoral linkages that were embedded in the 2007 Forest Policy and other major policies and legislation. Fiji's financing strategy included the Forest Sector's Development Revenue, the Sector's Development Fund, Trade and Commercialization measures; Financing Conservation and protection Measures and Financing through international and regional cooperation. Among the project outcomes, Mr. Lagataki highlighted issues for private investments, financing gaps and opportunities to create an enabling environment for sustainable forest management financing. He mentioned attractive incentive packages for various markets, and stages of wood production, including plantation establishment, as well as the need for an institutional infrastructure and specialized capacity to meet the evolving needs of

investors for developing relevant packages targeting various resource sectors (agriculture, fisheries, forests). Linking tax deductions with a degree of compliance to sustainable forest management standards, such as the National Standard for Forest Certification, was also noted, as was building a strong link between regional organizations as conduits for accessing funds. The main implementation challenges focused on procedures, modalities, priorities and the role of stakeholders. The lack of incentives for the private sector to improve sustainable forest practices, and little support from financial institutions, were also noted. The opportunities included potential for private and corporate investors to invest in forest-related activities, emphasizing incentives for afforestation and reforestation, as well as potential for enhancing conservation resource needs. Other recommendations for increasing financial flows for sustainable forest management included forest-based ecotourism, corporate social and environmental responsibility, public-private partnerships, a review of forest licence and service fees, development of non-wood forest products; a green fee on foreign visitors, agroforestry practices, a levy system on sales of logs sourced from native forests and the Fiji REDD-plus policy.

45. Paulo de Leon, consultant for the National Forest Institution of Guatemala, presented an analysis of forest financing in Guatemala, describing the National Strategy for Forestry Funding, building on various elements and components. Among those, he highlighted the importance of financial and economic information, the design and consolidation of major support lines, the use of existing credit lines, pre-investment connected with financial intermediaries, the development of new financial instruments and implementation of the Forestry Financial Intelligence Unit. A diagnosis of local and rural forest communities under the National Alliance of Forestry Community Organizations of Guatemala, consisting of representatives of 427 organizations and 11 second-level community organizations, was presented. The substantive areas of the Alliance focused on governance, financial mechanisms, competitiveness and organizational strengthening. Forest employment generation was highlighted as part of the outcomes of the Programme of Forestry Incentives. Mr. de Leon also described the programme of incentives for small land owners with forest or agro-forestry vocation. The programme, which covers 79 municipalities affected by hunger and poverty, aimed to extend and strengthen small forest owners' participation, promote gender equality in the management of natural forests, and establish and maintain agro-forestry systems. He then highlighted financial needs and gaps in sustainable forest management. Those included gaps at the Government level (including lack of awareness of the forest sector), gaps in the financial sector (which was relatively small and not familiar with the forest sector) and gaps of knowledge and information in the forest sector. In 2006, forestry contributed 2.58 per cent of GDP but employed some 10 per cent of the labour force. Factors affecting the forestry sector had included the world financial crisis, the rise of new players (such as China), new laws and certification requirements, and climate change. Recommendations included improving access to forest funds, with the promotion of new mechanisms (such as ecosecuritization, private forest funds and risk-mitigation techniques). Important trends included increasing use of carbon emission bonds and trading. Mr. de Leon also stressed the importance of improving coordination and the enabling environment.

46. Sebastian Malele Mbala, National Consultant, in the Democratic Republic of the Congo, presented an analysis of the financing of sustainable forest management in that country. He explained that the Democratic Republic of the Congo had the

second largest tropical forest of any country, with 145 million hectares (62 per cent of the total land area). Those forests represented nearly 60 per cent of the forests in the Congo Basin, which included a total of six countries. They were important for the livelihoods of 40 million people and played an important environmental role, including global significance for biodiversity. Axes of national policy included comprehensive action to recognize the social, economic and environmental value of the forests, a participative approach to stakeholder engagement, equitable partnerships and the distribution of a proportion of revenues to local communities. In addition, protected areas in the Democratic Republic of the Congo had been increased to 38 million hectares (15 per cent of the total land area). Action was being taken to seek payments for environmental services, for example, through bioprospecting, conservation concessions and carbon sequestration. In addition, the Democratic Republic of the Congo was creating a favourable environment for private investment and was establishing a transparent system for allocating concessions. Mr. Mbala added that the Democratic Republic of the Congo was expecting to sign a voluntary partnership agreement with the European Union under the Forest Law Enforcement and Government process in the near future. He said that the financial needs for sustainable forest management in the Democratic Republic of the Congo were valued at $250 million between 2009 and 2016. However, following the reform process, the country had received pledges of $360 million, with $280 million already engaged or in the course of execution; of that amount, the domestic contribution was about 0.1 per cent. Particular difficulties faced by the Democratic Republic of the Congo included the challenges of a post-conflict situation and debt reduction. Recommendations for financing strategies included improving access to funding, mobilization of resources through REDD-plus, efficient and effective use of available resources, improved coordination of actions, availability of external assistance, mobilization of sustainable new sources of finance, technology transfer and capacity-building. Accordingly, Mr. Mbala proposed that there be a global forest fund to bridge the gaps and address the weakness in current financing mechanisms.

47. Marco Boscolo, from FAO, gave a presentation on the work of FAO in supporting the development of national forest financing strategies. Current work was based on lessons from a collaborative knowledge-sharing initiative in Latin America on financing mechanisms. The objectives of the initiative were to produce a broad assessment of the status, perspectives, and experiences with financing mechanisms; and to increase the capacity of national forest programmes in the development of national strategies and instruments for forest financing. Mr. Boscolo identified the potential of an integrated approach to forest finance that included public and private investments, payment schemes, improvement of the enabling environment and alignment with other national policies such as trade, credit, and investment policies. National forest financing strategies were developed through a capacity development process that included, for example, trade credit policies. The capacity development process was important and included stocktaking, sharing of perspectives by stakeholders, identifying market development opportunities, improving the enabling environment and developing a concrete action plan. Current lessons had been based mainly on experiences in Latin America, but further support was now under way in Africa and Asia. Mr. Boscolo mentioned that initial achievements included public endorsement of national forest financing strategies, selection of financing instruments for development through financial and legal assessments, involvement of rating agencies, etc. Key lessons included the

availability of significant funding at the national level; the interest in forestry by banks, social security schemes, commodity exchange (not only for productive purposes), the high potential of playing a catalytic role; and the fact that it took time to address misconceptions and develop products that met the need of both sectors. Significant funding was available at the national level, but there was a need to engage more actively with other sectors, in particular the financing sector. Playing a catalytic role could be very effective. Opportunities for support included help in partnership building and communication to address "isolation"; strengthening linkages with other sectors and key stakeholders; forming associations among small forest owners; capacity-building; enterprise development; promoting financial innovation (to address excessive "dependence" on official development assistance and Government budgets); reinvesting forest revenues into the sector; promoting access to capital markets; enabling payments for environmental services; operationalizing risk mitigation and credit guarantee instruments; and encouraging a strategic approach to finance through national forest financing strategies. Mr. Boscolo also mentioned two new initiatives to support financing for small-scale forestry in Central America and West Africa.

48. Yetti Rusli, Senior Adviser to the Minister of Forests, Republic of Indonesia, gave a presentation on sustainable forest management financing facts and challenges. Forests covered 133 million hectares, or 71.2 per cent, of Indonesia and contributed 0.8 per cent of GDP. Ms. Rusli explained that Indonesia was set to reduce emissions, compared with business as usual, on a voluntary basis by 26 per cent, and that this would rise to 41 per cent by 2020. She added that 14 per cent of the 26 per cent reduction would be forest based, and the remaining 12 per cent non-forest based. She also highlighted the linkages between forests and the Millennium Development Goals. Ms. Rusli outlined key features of the National Strategic Plan (2010-14) and explained that the financing strategy, which was based on achieving the global objectives on forests and implementing the non-legally binding instrument, would require huge investment. There was a need for a broad approach, with support through cross-sector investment and mobilization of public and private finance from national, regional and international institutions. To achieve this, it was important to have effective, efficient and transparent financial management. Sources of finance included the public budget (comprising national tax-based revenue, forest non-tax revenue and provincial and district budgets) and overseas development partnerships (bilateral and multilateral). At around $0.4-0.6 billion per year, the domestic forestry budget represented about 1 per cent of total public expenditure — and compared with estimated needs of at least $3.6 billion per year. Constraints on international funding included the diverse requirements of various funds, gaps between programme design and actual needs, duplication, time-consuming negotiation and design processes, and complex budgetary regulation. Public investments had focused on sustainable forest management capacity development, afforestation and reforestation, rehabilitation of critical lands, forest protection and conservation, and readiness for REDD-plus and voluntary carbon markets. Private investment in 2009 had amounted to over $14 billion in industrial forest plantations and to around $6.5 million in forest concessions. In addition, there were private investments in small-scale forest plantations, community-based forests, wood-processing industries, non-wood forest products, ecotourism and environmental services and ecosystem restoration. Ms. Rusli noted that financing REDD-plus readiness represented only part of the needs of financing sustainable forest management. She said that a future challenge

would be recognizing the non-market values of forests, as well as the market value of both conventional commodities and new green products such as renewable energy. She suggested that there be an additional new scheme on forest financing (bilateral, regional, multilateral) within a common platform under the Forum. This could be started by linking current available finance with new forest funding, an investment fund and other investment opportunities, combining market and non-market approaches.

49. Ms. Dai Guangcui, of the China National Forestry Economics and Development Research Centre, State Forestry Administration, gave a presentation on China's strategy and financing for forestry sustainable development. Since 1998, China had initiated a series of national key forestry programmes, which had all been incorporated into the National Economic and Social Development Plan. Policies and mechanisms for sustainable forest management included a compensation system for forest environmental services, subsidies to support sustainable forest management, subsidies for loans and forest insurance, microcredit for forestry development used by farmer households, improvements to livelihoods in forest regions through improved infrastructure, a national compulsory tree-planting campaign, forest tenure reform, and preferential taxation and fees for forest and product processing. Between 1998 and 2009, total financing had increased from 13.53 billion yuan to 137.79 billion yuan, an annual average increase of about 23.5 per cent. Sources of financing included the public sector (central and local public fiscal sectors), the private sector (banks, enterprises, individuals), foreign funds (international financial organizations, foreign Governments, foreign direct investment, grant-in-aid) and others, including non-governmental organizations. Central forestry investment accounted for about 2 per cent of central Government expenditure. The share of the central public financing in total forestry investment was around 70 per cent in 2002-2006, falling to 60.84 per cent in 2009. Impacts included annual average planting of 5.44 million hectares in the period from 1998 to 2009. Ms. Dai explained that challenges included the poor basic condition of forest resources, high demand for wood, issues of tenure reform, difficulties in planting marginal land and the needs of poverty alleviation, with 70 per cent of 250 million poor people's livelihoods relying on forests. Her recommendations included improving forest financing mechanisms for sustainable forest management, extending financing sources, improving the investment environment, and enhancing foreign investment and cooperation.

50. Peter Gondo, Africa Forest Forum, gave an overview of financing sustainable forest management in Africa. He explained that forests in Africa covered 635 million hectares, or over 21 per cent of Africa's land area, but that less than 6 per cent was under management. Sustainable forest management required substantial financial resources and one estimate from the United Nations Framework Convention on Climate Change put this at $2.7 billion per year (excluding costs of capacity-building and other upfront costs). Africa's share of official development assistance to forestry was 20 per cent (down from 33 per cent in 1973-88) and was uneven, concentrated in 10 countries. Major multilateral sources included the African Development Bank, which operated in 21 countries with a $352 million forestry portfolio that provided $72.7 million per year between 2000 and 2005; $0.8 billion was earmarked for 13 projects in 2010. GEF operated in 28 countries and the World Bank Group operated in 20 African countries. However, there were key challenges in securing official development assistance, such as complicated

procedures and long project cycles, lack of capacity to prepare proposals, and to co-finance. The largest investments were in tropical forests and very few low forest cover countries had benefited. The International Tropical Timber Organization had 10 African members, of which six received financing. Other multilateral sources included the Food and Agriculture Organization of the United Nations-National Forest Programme Facility (in 35 African countries), the global mechanism, the International Fund for Agricultural Development, UNEP, UNDP and the World Food Programme. Mr. Gondo explained that Africa's industrial forestry level was low, with trade in wood products of $4 billion, compared to a global figure of $200 billion. Foreign direct investment was in plantations (467,000 hectares between 2000 and 2009), and in wood processing and natural forests concessions in tropical forests. Most domestic private finance was in the informal sector. Mr. Gondo recognized the importance of microfinance and the need for improved linkages with the formal finance sector. He noted that there were very few examples of payment for watershed services and only two examples of debt for nature swaps; but ecotourism generated revenue in some areas and was growing, with ecotourism incomes up to 15 to 20 per cent of GDP. Global concern about climate change had resulted in forests attracting great attention, but there were only two afforestation and reforestation clean development mechanism projects proposed for Africa. While the value of voluntary carbon markets was $331 million in 2006, Africa's share was low and the distribution of projects uneven. There are three UN-REDD pilot countries in Africa and also projects under the Forest Carbon Partnership Facility. A number of REDD issues remained unresolved, such as trade-offs between various objectives (e.g., climate change mitigation, biodiversity and poverty alleviation), the distribution of payments for REDD credits to rural people, co-financing of activities required to ensure that REDD benefits are created, and the risk of limiting access to REDD financing only to forest-rich countries. Mr. Gondo also referred to other emerging instruments for forest financing, such as ecosecuritization and forest-backed bonds, and endowment funds. He concluded that financial resources from all sources were insufficient; there were inefficient revenue-collection systems and low prioritization in budgetary allocations; private sector funding was limited to forest rich countries or those with potential for plantation development; the level of investment was limited by poor infrastructure; political and macroeconomic instability, limited access to microfinance for smallholders and poorly developed microfinance products for forestry sector; and poor linkages between forestry and finance sectors. His recommendations included the development of comprehensive national financing strategies as part of national forest programmes; better integration of the forest sector within national development frameworks; creating an enabling environment for investment in sustainable forest management; strengthening microfinance to improve access to resources for smallholders; establishing an sustainable forest management/non-legally binding instrument-specific fund to mobilize funds for thematic areas not covered by existing funding mechanisms, including especially upfront financing for planning, analytical work and research, and development and national capacity-building.

51. Charles V. Barber, Forest Division Chief, United States Department of State, gave a presentation on the experience of the United States of America. He explained that the United States had the fourth largest forest estate in the world. Forests occupied about one third of the land area, or 304 million hectares. About 56 per cent was privately owned, and the private forest area accounted for over 90 per cent of production. He outlined the history of United States forestry, noting that forest lands

had been cleared for agriculture, but as agricultural production had intensified on better land, the poorer land had been recolonized by forest. Mr. Barber said that in 2010, the budget for the United States Forest Service was $6.2 billion. Spending was prioritized for national forests, research (especially pests, diseases and fire), cooperation with state and private forestry, capital improvement and maintenance, land acquisition, wild land fire management and suppression. He also emphasized the importance of having an enabling environment that included stable and well-defined institutional frameworks for land tenure and land rights, strong and relatively consistent markets for forest products, tax and regulatory systems that recognized the long-term nature of forestry investments and strong agricultural and forestry institutions that supported information delivery. He noted that increases in per capita income encouraged investment in the forest sector and citizens that valued their forests. He explained that corporate forest landowners focused on plantations and specialized processing facilities. Meanwhile, non-corporate landowners were increasingly under financial pressure to sell land for development. Potential opportunities for finance included increasing productivity of intensively managed timber plantations, expansion of the certified forest land base, forests and payments for ecosystem services (water, carbon, biodiversity), expanding the use of wood for energy and as an energy-efficient building material and expansion in the use of conservation easements to protect forest land. Turning to United States international financing for forests, Mr. Barber said that the goal was to recognize and maintain the multiple benefits of forests, namely, biodiversity, legal and sustainable production of timber, community development and livelihoods and the maintenance of ecosystem services, including REDD-plus. The United States had consistently dedicated at least $100 million a year to bilateral forest aid, with a major focus on the major tropical forest areas of the world. Another $100 million was destined for multilateral programmes, including the GEF, the Forest Investment Programme and the Forest Carbon Partnership Facility. He added that at Copenhagen, President Obama had pledged $1 billion over three years in fast-start REDD financing. Mr. Barber explained that the United States Government needed to be able to demonstrate to domestic tax payers that expenditure on international forests represented an effective use of public money.

52. Emad Al-Qudah, Directorate of Forestry, Jordan, gave a presentation that highlighted findings from an analysis of forest financing in that country, including current and potential funding sources and gaps. He said that forests in Jordan covered an area of about 87,000 hectares, or less than 1 per cent of the total area of the country. The natural forests in particular were fragmented and of low commercial value. The limited industry produced firewood (6,000-10,000 tons per year, mostly from planted forests), furniture, joinery and fruit boxes. The annual budget for the Ministry of Agriculture, which had responsibility for forests, was around $74 million. Public sector funding for forestry was derived from financial instruments under the agricultural law, the Environmental Protection Fund and entrance fees to forest areas and charges for tourist facilities and services. There was no data available on the contribution of the private sector to forest financing, but it was considered to be very limited. External financial flows included contributions from a number of key international and regional agencies that were active in Jordan. This included grants and soft loans, and the total for all sectors had more than doubled since 2004. In 2010, grants and soft loans for projects financed through foreign assistance amounted to over $3.2 billion, but only about $62 million related to agriculture and forestry. Mr. Al-Qudah explained that new sources of funds of

potential relevance to sustainable forest management were emerging rapidly and should be investigated further. However mobilizing funds from non-traditional sources required knowledge of the mechanisms and instruments that were applied in the country. Examples included debt-swaps, the Clean Development Mechanism, establishing a Forest Fund, public-private partnerships and tourism fees. He also highlighted financing gaps and key challenges for increasing financing for sustainable forest management. These included lack of integration of forests in poverty-reduction strategies and broader national development, and a lack of clarity regarding the concept of sustainable forest management and opportunities offered by forests in sustainable development. In addition, there was a lack of reliable data on forest resources which were usually needed to identify priorities for actions. According to that analysis, it was clear that sustainable forest management would require external financing. Mr. Al-Qudah also suggested that a number of steps be taken towards the improvement of legislation and institutional arrangements, including research and capacity-building. Forest components should be clearly and effectively included in the relevant national development plans and strategies. This should be remedied by creating awareness among decision makers with regard to the potential contribution of the forest sector to national sustainable development. In addition, a proportion of forests entrance and service fees, such as concessionaire licenses, fines and fees, should be returned to the Forest Department to support protection, interpretation and maintenance, as well as local development. Other recommendations included the use of positive incentives to reduce the loss of forests, and to promote reforestation, afforestation, and rehabilitation, and coordination with relevant regional and international organizations.

Summary of interactive discussions

53. During the ensuing discussion, experts recognized that identification of needs should be the starting point for developing specific national and regional strategies on mobilizing financing for sustainable forest management. There was a clear link with national forest programmes and similar documents, which had to be accompanied by financing strategies in order to be effective. The importance of indicators for effective monitoring and evaluation processes and their integration in the national forest programmes, as well as strengthening capacity to improve effectiveness of those programmes were highlighted among the factors for effective forest financing strategies. It was noted that, at the practical level of implementing sustainable forest management, there was likely to be considerable synergy between REDD-plus readiness activity and capacity-building for sustainable forest management. Meanwhile, some experts pointed out that REDD-plus may not bring financing for small countries, as they have small forest areas. Therefore, other ways of attracting necessary resources had to be considered for those countries.

54. Experts highlighted the importance of effective engagement with the private finance sector and understanding the requirements of that sector in relation to financing sustainable forest management. That included understanding the timescales for financial returns; identifying business opportunities (opportunity costs); and analysing risks and risk-mitigation strategies, such as insurance and diversification of investment portfolios. Information should be packaged and transmitted in language understood by the financial sector (including, for example, investment criteria and the "triple A" type rating systems). Lack of knowledge was a key barrier for potential investors who may (for example) be adversely influenced

by press reports of forest fires, etc. Examples were given of successful dialogue with the financial sector, with intermediaries helping to explain the benefits of forest-related investments. It was noted that some potential investors had expressed interest in the full range of forest-related benefits, including carbon sequestration, water catchment functions and biodiversity, as well as returns from timber production. However, it was also noted that the nature of the financial sector varied between countries. Furthermore, some investors were only interested in commercial profit, even where this was not consistent with sustainable forest management. Confidence and trust were key ingredients in building market relationships. While the creation of an enabling environment was necessary to attract investment for sustainable forest management, there needed to be analysis of the specific requirements of different types of investors and critical factors for different countries.

55. It was recognized that public sector funding was required in order to support elements of sustainable forest management that were less attractive to the private sector. This was the case where the full value of forests and related ecosystems was not properly valued by the market. Public sector funding could also bring increased economic benefits through the multiplier effect. It was important to understand the sustainability of different funding approaches, and the potential scope for drawing public support (for example, where it was needed in the early stages of an infant industry). Public-private partnerships had also been successful, for example, where there were payments for environmental services (such as provision of water supplies). Approaches to financing sustainable forest management would vary according to circumstances, but it was important to understand when particular models could be replicated, scaled-up, or adapted.

56. Experts also discussed some of the factors that had led to success in attracting international funding for sustainable forest management. For example, the presentation from the Democratic Republic of the Congo highlighted significant funding pledges for the Congo Basin. They reflected the global importance of those forests and the commitment, at the national level, to measures that included the designation of large protected areas and reform of concessions. Donors had also been attracted by the strength of the partnership at the regional level. Another example that was given of this regional approach was an initiative relating to forest areas around the Mediterranean Sea. More generally, it was suggested that beneficiaries would find it easier to attract funding where they were proactive and could show that funding was likely to lead to tangible results. With regard to accessing both international and domestic funding, it was useful for forestry departments to have staff members with a good understanding of the relevant procedures and practices. Moreover, promoting partnership among countries should be considered as a tool for attracting additional resources for forests.

57. Experts emphasized the importance of local communities and indigenous peoples and their critical role in securing sustainable forest management on the ground. Examples were given of meaningful economic participation by indigenous peoples as resource owners, and of other payments to local communities, including the channelling of support through an alliance of local forest communities with large numbers of individual members. Human capital was needed alongside access to finance. The active participation of youth was also recognized as important, and examples were given of educational and other initiatives that aimed to improve understanding of the benefits of sustainable forest management.

Topic 2. Progress made by the existing and emerging forest-related financing mechanisms and processes to mobilize financing for sustainable forest management

Summary of presentations

56. Dirk Gaul, from the GEF secretariat, highlighted the GEF-5 sustainable forest management/REDD-plus programme. The overall replenishment for GEF-5 (2010-2014) was $4.3 billion. GEF projects were country-driven and funding for forest-related projects mainly derived from the three focal areas of biodiversity, climate change and land degradation. In addition, a separate $250 million funding envelope for sustainable forest management/REDD-plus had been established for GEF-5. Thus far, GEF had funded more than 350 sustainable forest management projects with $1.7 billion. While addressing the GEF-4 sustainable forest management programme created in 2007, Mr. Gaul mentioned its lack of a separate funding envelope. He reported, however, that it drew on resources from the three focal areas. In addition, he highlighted the Tropical Forest Account, depicting it as a $40 million GEF pilot in REDD-plus. He talked about the rich portfolio of sustainable forest management projects in GEF-4. In that context, he underscored the United Nations Forum on Forests and UNEP project currently under way on facilitating financing for sustainable forest management in small island developing States and low forest cover countries, which will also benefit from GEF financing. Mr. Gaul described the independent GEF-5 sustainable forest management/REDD-plus strategy, including the potential scope of projects (e.g., national forest policy reformulation, protected area management, capacity-building for monitoring greenhouse gases from deforestation and forest degradation, certification of timber and non-timber forest products, etc.). The separate funding envelope would be used as an incentive mechanism. It was expected to raise up to $750 million for sustainable forest management/REDD-plus from the three focal areas of biodiversity, climate change and land degradation. Altogether, GEF provided up to $1 billion for sustainable forest management/REDD-plus projects and programmes for the period 2010-2014. One of the conditions for accessing such financing included bridging investments from at least two GEF focal areas to maximize multiple benefits. He added that sustainable forest management/REDD-plus projects carried an enormous potential to generate multiple environmental and social benefits.

57. Tuna Vähänen, from the secretariat of the UN-REDD Programme, presented an overview of three multilateral initiatives, namely, the Forest Carbon Partnership Facility and the Forest Investment Programme, both hosted by the World Bank, and the UN-REDD Programme, a collaborative programme of FAO, UNEP and UNDP. She described the state of play of REDD-plus, emphasizing the links to broader development goals and the pending negotiations on the issue within the context of the United Nations Framework Convention on Climate Change. Turning to the Forest Carbon Partnership Facility, Ms. Vähänen introduced the readiness fund focusing on capacity-building, amounting currently to $152 million (commitments and pledges); and the carbon fund for payments for verified emission reductions, which currently amounted to $76 million. Within the readiness fund, the Forest Carbon Partnership Facility had selected 37 REDD-plus countries, and was governed by the Participants Committee, which took the decisions on grant allocations. She also highlighted the fact that 11 countries had signed a grant agreement on the basis of approved national readiness-preparation proposals, for which the Forest Carbon Partnership Facility had approved a grant of $3.6 million

each. The various roles of the World Bank, serving as the secretariat, trustee of funds and the delivery partner, were also described.

60. As for the Forest Investment Programme, Ms. Vähänen presented its focus in supporting developing countries' REDD-plus efforts, in particular, serving as an up-front financing bridge for readiness reforms and public and private investments, to address the underlying causes of deforestation and forest degradation. In total, contributor countries had pledged $542 million, mainly in the form of grants. With regard to opportunities for REDD-plus collaboration, she mentioned phase II of REDD-plus, which targeted investments linked to phase 1 (readiness) and phase 3 (performance-based payments). Moreover, she reported that most of six Forest Investment Programme pilot countries were already involved in readiness activities supported by the Forest Carbon Partnership Facility and/or UN-REDD.

61. With respect to the UN-REDD Programme, Ms. Vähänen underlined its current funding portfolio of $105 million from three donor countries, to support the readiness phase of REDD-plus. Specifically, the programme tailored country efforts to national REDD-plus strategies and helped to enhance coordination. She described the UN-REDD as a United Nations joint FAO/UNDP/UNEP programme established in 2008. Among its profile and development perspectives, the programme focused on national (nine pilot countries) and international level action and had a fast-track record for disbursing funds for the national joint programmes, with a focus on capacity-building and stakeholder engagement. Specific to future view, she underscored the importance of scaling up the programme to meet the growing demands. Adding to this, she highlighted the value of planning joint delivery measures with the World Bank-hosted initiatives Forest Carbon Partnership Facility, Forest Investment Programme and other sustainable forest management/REDD-plus initiatives and programmes; continued assistance to REDD-plus readiness initiatives; future supportive roles in the implementation phase; and the joint effort with Forest Carbon Partnership Facility and Forest Investment Programme to provide secretariat services to the REDD-plus partnership. As concrete action, she underlined the need to ensure the ongoing work towards common delivery channels at the national level, with delivery partners, through joint planning and missions and common standards and templates. She also highlighted the positive example of the Democratic Republic of the Congo, with regard to the Government's efforts to streamline funding requests from the Forest Carbon Partnership Facility and UN-REDD Programme.

62. Kmal Elkheshen, from the African Development Bank, presented the Congo Basin Forest Fund, a multi-donor special forest financing mechanism to preserve forest resources of the Congo Basin. The Fund was demand-driven, quick to access and had a quick disbursing facility. As an innovative forest financing mechanism, the Fund used the portfolio approach, combining financial products and services to raise financial resources for effective action on forests. It merged three of the six of the Bank's major financial product and service types, including: public sector funding, payments for ecosystem services and the engagement of philanthropic leaders. Mr. Elkheshen explained the Fund's livelihoods focus, targeting different economic activities, reforestation aspects and how stakeholders could implement different actions. He also highlighted the alarming rates of deforestation, particularly in Africa, which was losing 4 million hectares of forests per year. Logging, shifting agriculture, population growth, and oil and mining industries were all putting increased pressure on Africa's forests. He added that curbing the rate of

deforestation was essential for many reasons, including maintaining the carbon-storing capacity and the ecological services that forests provided, such as biodiversity, watershed protection and recreation. To ensure sustainability, the Fund had been assisting local communities to develop capacity to build livelihoods, consistent with the conservation of forests. The approach aimed to develop the forest management capacity of national and/or regional institutions to help to reverse the rate of deforestation through new financial mechanisms and appropriate models. Key lessons learned for achieving sustainability pointed to the need for incentives and policies to motivate and engage all stakeholders and, likewise, to ensure that the selected policies addressed the underlying problems. Mr. Elkheshen also noted the importance of good governance and clear indicators to measure performance. Future actions included advocacy measures to mobilize greater resources for the Congo Basin Forest Fund, creating partnerships with other institutions involved in the preservation of the Congo Basin Forest Ecosystem, developing strategies and programmes to leverage more financial resources, and reducing the process and time frame for the approval of projects.

Summary of interactive discussions

63. During the discussion, experts highlighted the difficulties of accessing funds and the associated high transaction costs. Different funds had different rules and requirements (both for applications and reporting). Countries applying for funds needed adequate expertise, and this was better provided through the development of human capacity, rather than provision of short-term external input. It was also emphasized that there could be considerable delay between making applications and securing funding. Experts working for funding agencies explained that there was a need to balance speed of disbursement with safeguards to ensure that the funding was used effectively and thereby resulting in desired outcomes. They sought to minimize the time that it took to process applications, but initial concepts needed to be worked up into full project proposals; those proposals needed evaluation, and then further work to address issues raised in that evaluation; and there was a need for due diligence procedures. Another related issue was availability of information about funding sources and criteria for applications. It was noted that the Collaborative Partnership on Forests Sourcebook was a good source of information, with links to individual websites that contained further information. Experts also discussed the setting of priorities. While individual funds had their own overarching policy framework, allocations also took place according to country priorities. It was important to ensure that forests were identified within country priorities, for example, in relation to their role in improving livelihoods and reducing poverty. In addition, it was necessary to have in place effective indicators for monitoring and evaluation so that positive outcomes from forest programmes could be clearly demonstrated in quantitative terms. It was noted that this was also important for donor countries, as they needed to be able to justify expenditure on official development assistance to their finance ministries.

64. Experts also addressed the important issue of mobilizing new and additional resources. It was clear that, at present, there was inadequate financing for sustainable forest management. For example, while around $6 billion was available, largely for REDD-plus-related activity, studies had shown that $25 billion per year was needed to reduce global deforestation by 25 per cent. While every effort should be made to secure access to private sources of finance, it was recognized that these

would not provide the complete answer, especially in relation to provision of public goods. It was noted that the opportunity costs of establishing protected areas and reducing production of timber and other products could be very high, and this, as well as direct costs, needed to be taken into account. Furthermore, there were serious gaps in funding. In particular, available funding was concentrated on countries with high forest cover, and on particular challenges, such as climate change mitigation. In that context, experts discussed the role of a voluntary global forest fund. This would have the advantage of providing a "one-stop shop" for forest-related funding applications, and could have a single set of procedures. It could address the problem of fragmented resources and the focus would be on sustainable forest management, the global objectives on forests and implementing the non-legally binding instrument. Some experts said that this would help to attract new, additional and predictable resources, while other experts said that there would still be a need to make the case to potential donors for an increase in forest-related funding, for example, in terms of the global public goods delivered by forests.

IV. Facilitative process

65. A morning plenary session was held on the facilitative process, with an update of activities and suggestions for future action.

Summary of presentations

66. Dr. Benjamin Singer, of the United Nations Forum on Forests secretariat, gave a presentation on the Forum's Facilitative Process on Forest Financing. He explained that, in the resolution on the means of implementation of sustainable forest management adopted at the special session of the ninth session, the Forum had the Facilitative Process established as part of the resolution on forest finance. He said that this action represented one of two components of the Forum's plan to develop a comprehensive strategy on forest financing. It was envisaged that the Open-ended Intergovernmental Ad Hoc Expert Group and the Facilitative Process would work in a complementary and synergistic fashion, with the Group providing a top-down approach with strategic guidance and the Facilitative Process providing a bottom-up approach by producing data and facts from the field. The resolution identified eight functions for the Facilitative Process, two of which were to assist in mobilizing and supporting new and additional financial resources from all sources for sustainable forest management, and in identifying obstacles to, gaps in and opportunities for financing sustainable forest management. Dr. Singer explained that the project on financing for sustainable forest management in small island developing States and low forest cover countries had been financed through voluntary contributions of over $1.5 million from the United Kingdom and GEF. Small island developing States and low forest cover countries had been selected for the study because both categories had suffered from a particularly sharp decline in forest financing over a 20-year period. Indufor Oy (Finland) had been employed to undertake the first component of the project. Following that component, which would be presented by Mr. Salmi of Indufor immediately following Dr. Singer's presentation, the project would be taken forward through two further components. Component II would consist of four international workshops (two in small island developing States and two in low forest cover countries) where stakeholders would be able to discuss the findings from the initial work and become more closely

engaged with the project. Component III would consist of a revision of the analyses, together with a communications strategy to reach out to all forest financing stakeholders. Dr. Singer noted that donor support would be necessary for further projects that could make it possible to extend this approach beyond small island developing States and low forest cover countries, to (a) forest financing in Africa and least developed countries and (b) assessing the impact of REDD-plus on forest financing.

67. Jyrki Salmi, of Indufor Oy (Finland), presented the initial findings from the Study on financing for sustainable forest management in small island developing States and low forest cover countries. He explained that a 2008 study by the Collaborative Partnership on Forests Advisory Group on Finance on financial flows and needs[a] had detected a particularly steep decline in development cooperation financing for forests in small island developing States and low forest cover countries. As a result, this first phase of the 2010 study of the United Nations Forum on Forests assessed present financing flows and demand for financing, and analysed specific problems, challenges and opportunities in mobilizing additional financing. In addition, it studied the enabling environment that would be conducive for enhanced forest financing. The study covered 49 low forest cover countries and 38 small island developing States. There were also seven case study countries, namely, Cape Verde, Fiji, Jordan, Kyrgyzstan, Mali, Trinidad and Tobago, and Uruguay. Conclusions from this part of the study had been drawn from an analysis of available data, an e-mail survey of 87 countries (albeit with a low response) and the case study work.

68. General conclusions on small island developing States were that they comprised a heterogeneous group with common disadvantages of small size and strong competition for land. Many small island developing States were biodiversity hotspots, but most had fairly well conserved forest cover. There was typical vulnerability to natural hazards, such as storms, volcanic eruptions, earthquakes, fires, landslides and tsunamis. Their economies were small and many small island developing States were far from international markets. In many small island developing States, forests were not considered a priority in national development policies; 22 countries of the 38 small island developing States had identified forests and trees outside forests in their development strategies. Only half of the small island developing States in the study had a forest policy and/or legislation. Forests were recognized in national policies in those small island developing States with more significant forest resources (e.g., Fiji, Guyana, Papua New Guinea, Samoa, Solomon Islands and Suriname). Capacity for forest administration and law enforcement, where it existed, was limited, owing to inadequate resources. Currently, official development assistance was a major source of forest financing in small island developing States; however the volumes and the share of small island developing States from total forestry official development assistance had been decreasing (to about $5 million in 2008). Official development assistance allocation was reasonably equally distributed between countries. In many small island developing States, the commercial forest sector was marginal or absent. Watershed services were often important; but the potential for climate change-related financing of forests was unlikely to be significant, although adaptation to rising sea levels and

[a] "Financial flows and needs to implement the non-legally binding instrument on all types of forests", a study prepared for the Advisory Group on Finance of the Collaborative Partnership on Forests, chaired by the secretariat of the United Nations Forum on Forests.

increasing storms was crucial. Tourism was likely to have a major potential for generating new sources of forest finance in many small island developing States. The recommendations in the study included the need to recognize and value all forest products and services and internalize them in GDP; integrate forests into relevant policies, such as agriculture, water, environment, climate, energy, tourism and infrastructure, with a cross-sectoral approach to land-use planning and forest financing; promote payment for environmental services, particularly for watershed services; special support to forestry education and training; and studying linkages between forest and tourism sectors through in-depth case studies.

69. General conclusions on low forest cover countries were that, while the forest sector was marginal in many low forest cover countries, forests and trees outside forests played important, supportive roles in rural livelihoods, particularly in agriculture and animal husbandry. Many low forest cover countries were facing challenges related to deforestation, forest degradation, desertification and soil degradation; furthermore, in developing low forest cover countries, food production and food security were national priorities. There was competition for land and water resources with agriculture, and pressure on forests from grazing and fuel wood collection. While forests were integrated in agricultural, environmental and poverty-reduction policies in many low forest cover countries, less than half of them had an official forest policy document. The volume of forestry official development assistance in low forest cover countries had been decreasing slightly (to about $12 million in 2008), but forestry official development assistance was unevenly distributed among the low forest cover countries, with least developed countries being particularly disadvantaged. Forestry development was the largest thematic area of forestry official development assistance (60 per cent). There was limited available information on financing sources other than official development assistance, but environmental services, such as water, could potentially provide opportunities for fund mobilization. A few countries had carbon projects, most of which were forest bioenergy-related. Opportunities for carbon financing through afforestation were restricted where there was heavy pressure on the availability of suitable land. As with small island developing States, the recommendations in the study included the need to recognize and value all forest products and services and internalize them in GDP. Integrated financing strategies were also recommended to improve the coordination of finance planning and to tap the cross-sectoral financing potential, with in-depth studies of linkages between investments in the agricultural sector and forests in low forest cover countries.

Summary of interactive discussions

70. During the discussion, experts made a number of suggestions, including proposals as to how this work could be taken forward. It was noted that it would be useful to engage with the low forest cover country secretariat in Teheran during the next phase of the study. In addition, further work on the Facilitative Process was dependent upon funding through voluntary contributions to the United Nations Forum on Forests Trust Fund. Additional organizations, including FAO and the West African Economic and Monetary Union, also declared their willingness to contribute. Emphasis was also given to the importance of developing forest policies and making linkages with other policies, noting for example the impact on forests of agricultural policy and related fiscal systems. Experts highlighted the need for information and evidence in order to demonstrate the value of forests to other policy

agendas. In this context it was noted that a broad definition of forests should be used, in which their wide range of functions, values and benefits was recognized. Experts explained that marginalization of the forest sector was less likely to be a problem where there was widespread understanding and commitment among the public and decision makers about the important role that forests played, for example, in relation to livelihoods, food security, climate change, water, biodiversity and the role of coastal forests in protection and fisheries management. It was noted that a number of low forest cover countries had already been successful in addressing problems of low forest cover and it was useful to learn lessons from their experience.

V. Keynote speeches: feasible and realistic strategies for financing sustainable forest management: making the discussion on strengthening existing financial mechanisms and processes, and other options, including on establishing a voluntary global forest fund, a win-win opportunity

71. An afternoon plenary session was held, which focused on two keynote speeches.

Summary of presentations

72. Sergio Weguelin, Deputy Director of the Environment Area at the Brazilian Development Bank, gave a keynote speech on the Amazon Fund. As the main Brazilian development financing entity, the Bank provided financial support mechanisms leveraging funds from various sectors to Brazilian companies and public administration entities to enable investments in all economic sectors. Apart from managing the Amazon Fund, the Bank analysed, approved and contracted projects with a focus on the conservation and sustainable use of the Amazon biome forests. It also monitored, tracked and settled accounts, maintaining the resources from donations in separate accounting records. The Fund's coverage extended to all Amazon countries — Bolivia (Plurinational State of), Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela, as well as to other regions and tropical countries. In that context, reduction of deforestation, promotion of sustainable productive activities, strengthening scientific and technological activities and promotion of conservation and protection of protected areas were the key pillars of the Fund. Thus far, over 100 projects had been presented. Financing exports of Brazilian goods and services in projects carried out overseas was also a key target.

73. In describing the funds, Mr. Weguelin highlighted the fact that projects on the reduction of emissions from deforestation should finance the conservation and sustainable use of forests and demonstrate the feasibility of the incentive mechanisms. While the Fund had received donations from foreign Governments, at present, it was setting up a structure to receive donations from other sources, including multilateral institutions, non-governmental organizations, companies and individuals. Mr. Weguelin described the first donation agreement with the Government of Norway, highlighting the governance structure, particularly the technical and guidance committees. He noted that the latter comprised nine agencies of the federal Government, nine states of the Brazilian Legal Amazon and six representatives of civil society. In moving forward, he addressed the need for analytical work and knowledge generation, including systems for attributing proper

value to the benefits derived from goods and services provided by forests. The contribution of sustainable forest management to the broader development goals and the links between the Fund and the United Nations Forum on Forests global objectives on forests were also presented. The importance of transparency, accountability and the development of good governance indicators were also emphasized. In concluding, he expressed his view of the region's vast potential as a leading emerging economy.

74. Markku Simula of the Department of Forest Sciences of the University of Helsinki, presented elements towards feasible financing strategies for sustainable forest management. He identified areas in which consensus already existed and requirements for forest financing strategies at both international and national levels. There were two main pending issues to be addressed, namely: (a) how to mobilize new and additional financing from all sources; and (b) through which mechanisms should such financing be arranged at the international level, considering two mutually non-exclusive options: (a) strengthening of the existing and emerging mechanisms on different levels; and (b) establishment of new facilities such as global or regional forest funds. There were various ways through which the existing arrangements could be strengthened but in many cases more clarity was needed on how they could be implemented in practice. A global forest fund could be a new element in international arrangements but it required conceptualization and agreement on its configuration and role. Nevertheless, a set of arguments in favour and against such a solution should be identified by stakeholders. There were also several opportunities for innovation to mobilize financing for sustainable forest management but their potential to mobilize new resources needed clarification. It appeared that no single instrument could support all needs and any new facility or facilities should be based on confirmed, long-term adequate funding. REDD-plus was expected to mobilize large-scale funding for forests but there would likely be major strategic gaps in filling them and private sector financing would have a pivotal role.

Summary of interactive discussions

75. The Amazon Fund was recognized as an interesting and promising model for financing activities to reduce deforestation and with extensive other benefits. Positive features in the Fund as identified by participants included its regional approach, stakeholder involvement, broad range of eligible beneficiaries, local level fund delivery and implementation, emphasis on sustainable development of the Amazon based on its productive functions, mechanisms to leverage funding from other sources, including the private sector, the governance structure, accountability in achieving the targeted objectives, including indicators of measurement, sharing of experience, and a sunset clause. The Amazon Fund could benefit from any global level financing arrangement for sustainable forest management, as it currently had only one donor. Parallel to the Amazon Fund, the Brazilian Development Bank was directly financing forestry investments and planned to launch a private equity fund in September 2010 to encourage private investment in forests.

76. A global forest fund could take the form of a "fund of funds", which would enable investment in eligible existing national and regional funds. This would ensure that implementation would take place on the national and local levels and consistent with their own priorities, which was considered necessary. Some developing countries had national forest funds which could benefit from a global

fund, but such facilities were lacking in many cases. A global "fund of funds" could be a source of knowledge and information for investors, thereby facilitating efforts at the national level and its transaction costs could be streamlined. It could also provide common guidelines for successful investments, including appropriate safeguards.

77. It was noted that a global forest fund could be a key instrument, which was currently missing, to implement the forest instrument. Its establishment could ensure equitable participation in decision-making and would help to build trust between developed and developing countries. It could also contribute to addressing the problem of the current low concentration of forest official development assistance in a small number of countries from a small number of donors. In particular, the needs of the least developed countries and low forest cover countries needed to be given a priority.

78. The potential capacity of a new global fund to mobilize new and additional financing on a sustained basis and on a required scale was not clear. If sources such as the proposed Tobin tax could be tapped, that problem might be avoided. It was noted that any new mechanism should target transformational change so that private financing in sustainable forest management would be mobilized. A common vision on sustainable forest management as a common goal was needed among stakeholders, including investors and financial intermediaries, who should be educated on the opportunities and associated risks in forestry investments. It was noted that a new fund could suffer from bureaucratic procedures, long project cycles and ineffectiveness, which should be mitigated. It was also pointed out that there should be arrangements for facilitated access to financing by local communities and forest-dependent people.

79. It was stated that, as no single instrument could solve the problem of sustainable forest management financing on a global level, there was a need to draw on the existing and emerging mechanisms and innovations in forest financing recently being undertaken. Important lessons were being accumulated in the implementation of REDD-plus financing and needed to be borne in mind in the consideration of any new facilities. In addition, the recently launched GEF Sustainable Forest Management Programme was likely to address some gaps in the existing financing arrangements. The limitations of official development assistance in targeting catalytic transformational interventions and the likely declining trend in traditional forest-related official development assistance also needed to be considered in that context.

80. There was a common view that further work was needed to explore the current needs of sustainable forest management financing and to what extent they could be met through the functions of existing and emerging sources. Based on such a stepwise approach, the feasibility and potential added value of a new instrument, such as a global forest fund, could be assessed within the overall international financing architecture for sustainable forest management.

81. Finally, it was observed that the crux of the problem of sustainable forest management financing was probably at the national level. Country experiences showed that success in national level financing often depended on political commitment, prioritization of forest finance, clarity about objectives to be achieved, implementation decisions on a sufficiently large scale to have a true impact, accountability and adjusting strategies based on accumulated experience. When

those were in place, together with enabling conditions and country capacity, it was easier to attract whatever external financing and support was needed.

VI. Required actions to strengthen mobilization of and access to financial resources for sustainable forest management, including areas for quick action

A. Break-out group 1: national and regional actions

82. During their discussions on national and regional actions to strengthen mobilization of and access to financial resources for sustainable forest management, and areas for quick action, experts highlighted a number of clear themes. They recognized that trust — for example between beneficiaries and donors or investors — was fundamental to accessing finance. Trust could be built through strong partnerships, good governance, a positive enabling environment and confidence that resources would be used efficiently and effectively, but unreasonable conditionalities and bureaucracy could undermine trust. Experts also stressed the importance of capacity-building, which was necessary, for example, to put in place arrangements for project development, monitoring and evaluation. In addition, they recognized the importance of political will, which was a prerequisite for securing financing for sustainable forest management in both developing and developed countries.

83. Experts highlighted the challenge of communicating messages about the value of forests to political leaders and the public. They recognized that those messages needed to be based upon sound evidence regarding the values of forests to the economy (including the informal economy), to poverty reduction and to the environment. Work was needed to provide this evidence and put together convincing arguments about the value of forests, for example, in terms of "green" GDP. Communication channels included meetings to share information with peers and to brief decision makers in other sectors about forests. Experts referred to positive and negative examples of securing intersectoral cooperation. They stressed the need to develop national forest programmes (and associated forest financing strategies) that were integrated within national development strategies. They noted that, at the national level, partnerships were important in building trust between different parts of government, civil society, the private sector and local communities. Partnerships could also be very powerful at the regional level. Experts recalled earlier presentations about partnerships in the Congo Basin and the Amazon, as well as a forthcoming initiative relating to forests around the Mediterranean Sea.

84. Experts explained that analyses of funding needs should be based on a clear understanding of the different roles of forests. Where the primary role of forests was economic (for production of timber and non-wood products), financing for sustainable forest management should be built around private sector funding, also recognizing that public funds could catalyse investment and help to create the necessary enabling environment. Where the primary role was environmental, a clear case could be made for public funding — from national, regional and global sources and depending on the scale and nature of the environmental benefit. Many experts highlighted the urgent need for a global forest fund to introduce new and additional resources. Experts also discussed the role of dedicated funds established at the national level, relating for example to forests, biodiversity or climate; such funds could provide a useful mechanism for channelling dedicated global funding.

However, others also noted that a proliferation of separate funds could be problematic. Another proposal for mobilizing additional finance was the improved capture of income from forests through rents, other payments and formalization of the informal sector; such additional income could be used to help local communities to meet the costs of sustainable forest management.

85. There was also discussion about improving existing financing mechanisms, which were not sufficient to meet the needs of sustainable forest management and had particular thematic and geographic gaps, such as low forest cover countries and small island developing States. Experts suggested that there were opportunities to improve these mechanisms by making them more flexible and giving more priority to sustainable forest management, by reducing bureaucracy, shortening the time that it took to approve project applications and by making existing mechanisms more flexible. It was suggested that further progress in taking forward the eight functions of the facilitative process would help to strengthen mobilization of and access to financial resources for sustainable forest management. In addition, it was noted that Mr. Simula's earlier presentation had identified a number of important action points as the way forward. Furthermore, it would be helpful if key messages from the meeting were conveyed to the FAO Committee on Forests at its forthcoming meeting in October.

B. Break-out group 2: international actions

86. Participants noted that the non-legally binding instrument and the global objectives on forests were more than a consensus; they were firm commitments from both sides which should be implemented. National level action was critical, but international cooperation was also needed to achieve the four global objectives on forests. If there were signals that traditional forest official development assistance may be declining in the future, strategies and actions were needed by developed countries to enable them to reverse the trend, either by replenishment or reallocation. Developing countries should develop their own strategies to mobilize funding from domestic sources and to create enabling conditions for financing. The absence of a priority for forest financing was observed at the national level, both in developing and developed countries, as well as at the international and regional levels. Strategies should be based on the global benefits that forests provided and the multiple contributions to achieving national sustainable development and poverty reduction, in particular.

87. Access to financing continued to be a fundamental constraint. The variety of potential funding sources did not mean that they were readily accessible for sustainable forest management financing. It was not always clear how the various funding windows could support sustainable forest management-related activities, as their priorities and criteria did not make direct reference to sustainable forest management. An important lesson had also been learned on the lack of success of the Clean Development Mechanism of the Kyoto Protocol in financing forest activities which showed that meaningful criteria and simple procedures should be in place to make such instruments truly accessible to beneficiaries in developing countries.

88. In international assistance, there was a chicken-and-egg problem. If the recipient could not have access to funding sources and prepare adequate proposals,

there was no effective demand. Therefore, technical capacity-building assistance should be provided together with financing.

89. Forest financing from the existing funding mechanisms could be expanded if it could be demonstrated that sustainable forest management could contribute to their specific objectives. This could also help to leverage private and public funding for sustainable forest management. Effective engagement of the private sector was not possible without enabling conditions and governance was a key aspect. A close linkage between catalytic official development assistance and follow-up private investment was considered a way to ensure long-lasting contribution of sustainable forest management investments to sustainable development. It was also noted that the contribution of the markets for forest products and trade facilitation should be given due attention in raising financial resources for the productive activities of sustainable forest management.

90. Many participants called for urgent action to be taken to establish a global forest fund within the framework of the United Nations. They emphasized that there could not be an adequate response to implement the non-legally binding instrument and to achieve the global objectives on forests without such a fund. It should provide equitable and open access to all countries, have no conditionalities and minimum bureaucracy, and a balanced governance structure. The fund could assist countries in establishing an enabling environment, build up technical capacities, carry out analytical work, make direct investments and leverage private sector financing. Some participants noted that there was no need for further studies on the subject but that the work could progress based on submissions of the members of the United Nations Forum on Forests and major groups on the characteristics of such a fund. It was mentioned that each main forest function (ecological, economic, social) may need its own global fund.

91. On the other hand, other participants emphasized that it was necessary to assess the actual needs of sustainable forest management financing in countries for which functions and actions funding was needed; what was currently delivered through various existing channels, how that could be increased considering both demand and supply; and the potential of emerging and new innovative mechanisms to mobilize funding for sustainable forest management (including REDD-plus), including the private sector. Based on those elements, a detailed problem statement could be developed, together with a respective strategy for enhanced international financing, including assessing the viability of a new instrument, such as a global forest fund. That work would benefit from submissions from Member States to identify gaps and measures needed to improve the existing situation. It was emphasized that there should be a compelling case for a new fund for forests and that it may have to have innovative elements to make it work in view of the diversity of country situations and potential beneficiaries.

92. Through the forest-climate interface and several high-level initiatives, significant social capital at the highest political levels existed which should now be capitalized upon to recognize all aspects of sustainable forest management. This was needed both in developing countries, to bring forests into the priorities of sustainable development, and in developed countries, to create awareness and acceptance for additional funding to forests. There was a need for proactive action at all levels (including the United Nations Forum on Forests and other forest-related international organizations) to ensure that the holistic view of sustainable forest

management would be part of REDD-plus. The focus should be on multiple benefits, but there should be clarity about what "forest" and its sustainable management meant. Effective communication was needed, drawing on factual information such as the ongoing Economics of Ecosystems and Biodiversity study by UNEP.

93. Several ideas to be undertaken by the facilitative process were proposed: country-level support should be provided to facilitate access to existing sustainable forest management financing sources, particularly in priority cases which were least equipped to prepare their requests (e.g., least developed countries, low forest cover countries). Countries which had not yet done so should prepare convincing approved plans ("a business case") for their forest development to mobilize both public and private financing for sustainable forest management. The facilitative process could also identify ways to simplify access to existing funding sources and carry out more useful country case studies. The facilitative process could also look into ways to engage the private sector in sustainable forest management, as most international organizations had not worked on that. The idea of developing a national sustainable forest management index (in the same way as the World Economic Forum's Competitiveness Index) was proposed as a tool for communication and for attracting greater attention from Governments and other stakeholders. The need for continued work on the existing study on low forest cover countries and small island developing States was highlighted.

94. There may be a need for facilitation among donors to increase financing for sustainable forest management, including improved coordination and expansion of the funding base and to consider an appropriate balance in the delivery between bilateral and multilateral channels to optimize effectiveness in the use of funds drawing on the competitive advantage of these mechanisms.

95. Regional cooperation also required adequate resources to make it effective. The past experience in the Congo Basin and West Africa showed that good planning and political commitment were necessary. Regional organizations could be effective channels for sustainable forest management funding and harmonization of policies.

VI. Co-Chairs' proposals for intersessional activities

96. The resolution on the means of implementation for sustainable forest management adopted by the special session of the ninth session of the United Nations Forum on Forests called for the mobilization of financial resources from all sources to support the implementation of sustainable forest management, the achievement of the global objectives on forests and the implementation of the non-legally binding instrument on all types of forests, including, inter alia, strengthening and improving access to funds and establishing a voluntary global forest fund, taking into account the results of the Forum's review of the performance of the facilitative process, views of Member States, and a review of sustainable forest management-related financing instruments and processes.

97. Based on presentations by 28 experts in keynote speeches, workshop panels, the first component of work under the facilitative process and the extensive exchange of experience and views among about 200 experts from 68 countries, and 23 international and regional organizations, and major groups participating in the first meeting of the Ad Hoc Expert Group, the Co-Chairs were afforded a substantive platform of experience, ideas, information and views upon which to base

their proposals on intersessional activities. Those proposals focused on the scope of further work which would further advance the understanding of forest-financing opportunities, gaps and possible modalities, including through intersessional actions, analyses and activities to be taken in preparation for the second meeting of the Ad Hoc Expert Group.

98. The work undertaken both by the first meeting of the Ad Hoc Expert Group and the facilitative process following the resolution adopted at the special session of the ninth session of the United Nations Forum on Forests on 30 October 2009 provided the basis for the proposed further intersessional activities to be considered by the United Nations Forum on Forests at its ninth session. The intersessional period addressed in those proposals took into account work to be carried out following the ninth session of the United Nations Forum on Forests and in preparation for the second meeting of the Ad Hoc Expert Group, and the tenth session of the United Nations Forum on Forests.

99. Based on the in-depth discussions by experts at the first meeting of the Ad Hoc Expert Group, the Co-Chairs offered the following proposals on intersessional activities, for consideration by the United Nations Forum on Forests at its ninth session:

The Forum should adopt a decision on intersessional activities, taking into account the outcome of the meeting of the Ad Hoc Expert Group. In such a decision, the Forum may wish to:

(a) Emphasize the importance of forests and the need for political will, awareness and commitment to urgent action at the national, regional and international levels;

(b) Emphasize the need to mainstream the interests of forest-dependent people, including indigenous peoples and local communities, in financing mechanisms for sustainable forest management, due to the importance of forests in securing poverty eradication, sustainable livelihoods and achieving the internationally agreed development goals, and recognizing the value of contributions from major groups;

(c) Invite substantive submissions by Governments, the member organizations of the Collaborative Partnership on Forests regional organizations and processes and major groups on forest-financing options, modalities and their possible structures, including a global forest fund and strengthening of existing and emerging mechanisms, and the advantages and disadvantages of those options, envisaged functions, requirements and deliverables of the different options, and request the secretariat of the United Nations Forum on Forests to separately compile those submissions to inform the work of the Ad Hoc Expert Group;

(d) Invite members of the Collaborative Partnership on Forests to report to the United Nations Forum on Forests at its tenth session on their ongoing and future actions on forest financing and to consider holding an open-ended organization-led initiative in support of the work of the Forum prior to the second meeting of the Ad Hoc Expert Group, and to focus, deepen and broaden their work in support of national-level action on financing sustainable forest management;

(e) Invite the Collaborative Partnership on Forests Advisory Group on Finance to update and expand its:

(i) Analyses with a focus on forest-related financing mechanisms, including funding gaps among the Rio Conventions (time frames, deliverables and the working modalities of funding mechanisms), addressing inter alia, financing, forests and climate change, including REDD-plus, arrangements pertaining to forest biological diversity in the framework of the Convention on Biological Diversity, relevant financing strategies and investment frameworks on sustainable land management under the United Nations Convention to Combat Desertification, the new sustainable forest management/REDD-plus Programme of GEF, as well as financial resources associated with the forest law enforcement governance and trade processes (forest law enforcement and governance and forest law enforcement, governance and trade) at the country and regional levels and keeping in mind the role of markets;

(ii) 2008 finance paper for the second meeting of the Ad Hoc Expert Group, and to provide proposals on ways to strengthen existing forest-related financing mechanisms, enhance coordination, improve access to their resources and identify how they fit into the broader forest-financing frameworks;

(f) Invite the secretariat of the United Nations Forum on Forests to deepen its collaborative work to address gaps and explore new opportunities on forest financing;

(g) Call upon Member States and international organizations to support implementation of all functions of the facilitative process, and strengthen collaboration with relevant partners on the initial outcomes of the facilitative process, in particular on small island developing States, low forest cover countries, Africa and least developed countries;

(h) Request the secretariat of the United Nations Forum on Forests in its work on the facilitative process, and in collaboration with the member organizations, of the Collaborative Partnership on Forests to:

(i) Work to remove barriers in access of countries to financing, including through building their capacities, and to further examine the effects, impacts and synergies of cross-sectoral and cross-institutional activities on forest finance;

(ii) Utilize the platform of the United Nations Forum on Forests to convene relevant financial institutions, such as regional and national banks, working in close concert with regional forest processes, to further develop and understand ways to mobilize resources and to mainstream the global objectives on forests in their programmes;

(i) Request the secretariat of the United Nations Forum on Forests, in close cooperation with the Collaborative Partnership on Forests and other key actors, to undertake work on REDD-plus and forest financing, including the implications of REDD-plus funding on broader forest financing to be undertaken within the facilitative process;

(j) In preparation for the second meeting of the Ad Hoc Expert Group, call for further collaboration and sharing of experiences with the private sector, building on lessons learned, given the importance of the private sector in providing

sustainable finance for sustainable forest management, and the crucial role of a stable and predictable enabling environment for their investments;

(k) Call for further collaboration and sharing of experiences among Governments to develop innovative financing mechanisms;

(l) Request the secretariat of the United Nations Forum on Forests, based on all of these submissions, to undertake an assessment, with a sense of urgency, of different options for the forest financing architecture, including a global forest fund and to prepare a note for the second meeting of the Ad Hoc Expert Group;

(m) Urge Member States to develop and implement national forest policy and legislation on financing for forests, including all of the functions of forests, and in so doing, consider the financing roles of key ministries, including, inter alia, agriculture, forestry, transportation, environment — with a focus on forests and biodiversity, climate change and water — and finance ministries, also keeping in mind the importance of integrating forests into poverty-reduction strategies or equivalent cross-cutting donor and finance mechanisms and report to the Ad Hoc Expert Group at its second meeting and the United Nations Forum on Forests at its tenth session on their progress and experience;

(n) Request the Co-Chairs of the first meeting of the Ad Hoc Expert Group to hold an open-ended informal consultation during the intersessional period;

(o) Recognize that only proposed actions which are part of the agreed biennial programme of work of the secretariat of the United Nations Forum on Forests are covered by the regular budget, that actions by the Collaborative Partnership on Forests and Member States will be undertaken by them, and that the remaining proposed intersessional actions require voluntary contributions to the United Nations Forum on Forests Trust Fund.